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**Swiss Agency for Development
and Cooperation SDC**


swisscontact



Promoting Private Sector Employment

PPSE - Kosovo

Semester Report 2019

1 January 2019 - 30 June 2019

Prishtinë/Priština

In cooperation with:



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List of Abbreviations

BMO	Business Membership Organisation
CEED	Centre for Entrepreneurship Education and Development
CHF	Swiss Franc
DCED	The Donor Committee for Enterprise Development
ENE	Economy and Employment
EU	European Union
EYE	Enhancing Youth Employment
FAMtrip	Familiarisation Trip
FGD	Focus Group Discussion
FTE	Full Time Employment
FNI	Food and Natural Ingredients
FVA	Food and Veterinary Agency
G.A.P.	Good Agricultural Practices
GDP	Gross Domestic Production
HO	Head Office
IADK	Initiative for Agricultural Development of Kosovo
IMF	International Monetary Fund
KEA	Kosovo Employment Agency
KCC	Kosovo Chamber of Commerce
KIESA	Kosovo Investment and Enterprise Support Agency
KMC	Kosovo Manufacturers Club
KSA	Kosovo Statistics Agency
KWCC	Kosovo Women's Chamber of Commerce
MAFRD	Ministry of Agriculture Forestry and Rural Development
MAP	Medicinal Aromatic Plants
MESP	Ministry of Environment and Spatial Planning
MRM	Monitoring and Results Measurement
MSD	Market System Development
MTI	Ministry of Trade and Industry
NGO	Non-Governmental Organization
OC	Outcome
OF	Opportunity Fund
PPSE	Promoting Private Sector Employment

SC	Steering Committee
SDC	Swiss Agency for Development and Cooperation
SEC	Senior Experts Corps
SGDM	Saint Gallen Destination Management Methodology
SHTIB	Association of Input Dealers and Traders
SIF	Social Inclusion Fund
SME	Small and Medium Enterprise
SRP	Strategic Review Panel
ToR	Terms of References

1. Basic Information

Country: Kosovo	Name of project: Promoting Private Sector Employment (PPSE)
SDC No SAP:	
Domain of Cooperation Strategy: ENE	

Goal	SMEs that operate in well-organized and inclusive economic sectors, provide increased sustainable gainful employment for young women and men in Kosovo.
Outcomes (OC)	Outcome 1: SMEs of the selected sectors increase their productivity and generate additional income and employment. Outcome 2: SMEs improve their offer, efficiency and competitiveness in improved and better organized inclusive market systems

Project phase duration: 16.11.2017-15.11.2021	Reporting period: 01.01.2019-30.06.2019
--------------------------------------------------	--------------------------------------------

Budget in phase (CHF) 7,276,126.50	Budget planned 2019 (CHF) 1,938,430
Budget spent in phase (CHF) 2,990,472	Budget spent 01.01.2019 - 30.06.2019 (CHF) 864,124
Information on contributions of partners and/or other donors (calculated in CHF) 100% SDC	

Implementing organisations:	Swisscontact and Riinvest Institute
Main national partners: Ministry of Trade and Industry, Chambers of Commerce, lead firms	Main international partners: n/a

Project Coordinator: Argjentina Grazhdani	Number of project staff: 16
International Consultants (planned days): ¹ 20	Internat Cons (executed days): ² 20
National consultants (planned days): 20	National Cons (executed days):0
Riinvest (planned days): 48	Riinvest (executed days): 12
Swisscontact (planned days): 48	Swisscontact (executed days): 24

¹ Additional international and local consultancies are planned through the Part 4 budget related to the assessments and interventions under three PPSE Outcomes (See Annex III).

² Additional international and local consultancies are planned through the Part 4 budget related to the assessments and interventions under three PPSE Outcomes (See Annex III).

2. Executive Summary

In the reporting period PPSE continued the scale-up and expansion of interventions started in Year 1 of Phase 2. Specifically, for the Food and Natural Ingredients sector, the Strengthening of Contract Farming intervention was implemented through 4 partnerships, resulting in **106 new beneficiary farmers and 117 additional hectares of production**. The Product Development intervention generated **9 new products and 3 new crops**. Through added value services, the SMEs have benefited from support services, such as: certification of quality standards, food technology knowledge provision, marketing and export facilitation. In the Tourism sector, interventions were focused around the regions of Prishtinë/Priština and Prizren, especially with regards to the development of new tourism products and sector coordination activities, while following up on the tourism development in Pejë/Peć. As of the reporting period, 4 SMEs have introduced **5 new tourism products: Paragliding, Kayaking and Biking in Prizren; Escape Room in Prishtinë/Priština; and Camping in Pejë/Peć**. Despite a slow response by public and private actors on tourism investment opportunities, in the reporting period PPSE has observed an increased engagement of the private sector and commitment for investment by the public sector.

The Opportunity Fund was further integrated within sector interventions, supporting co-investment projects aiming to promote sustainable and value chain growth, this year focusing more on the tourism sector. One co-investment agreement was signed in the reporting period, aiming to introduce a natural trail and entertainment Park for multi-season public recreation opportunities at the Bear Sanctuary in Prishtinë/Priština. Whereas through the Social Inclusion Fund, in the first half of the year, three agreements with minority partners were signed, two of which are businesses and one an NGO.

In the FNI sector, a total of 5 interventions were implemented: strengthening of the contract farming system, product development, introducing specialized seedling producers, facilitating certification programs, and supporting trade linkages. In the tourism sector, a total of 5 interventions are ongoing focusing mainly on development of tourism products in Prishtinë/Priština and Prizren, promotion of Kosovo to the Turkish and German-speaking markets, sector coordination activities and organization of non-formal short-term trainings for tour guides.

All results for impact indicators are well in line with the semi-annual projected results. Due to all implemented activities, in the reporting period, PPSE interventions have resulted in **886 women and men employed**, corresponding to **237 full-time equivalent jobs**. The interventions in the FNI sector contribute to around 93% of this result compared to 7% of the tourism sector. In terms of employment of women and minorities, PPSE is also well in line with expected phase targets, reaching to 49% and 53% respectively. Employment benefits have reached around CHF 729,893, while beneficiary SMEs have recorded around CHF 412,507 net additional income.

3. Results Reporting per Outcome

3.1. Impact

IMPACT: SMEs that operate in well-organized and inclusive economic sectors, provide increased sustainable gainful employment for young women and men in Kosovo	Impact Indicator	Baseline ³ 2017	2019 ⁴ (T=Target, A=Achieved)	Incremental % reached in 2018	End of Phase 2021	Cumulative % Reached in Phase
	Impact: Net additional employment FTEs	850 FTEs	T= 500 FTEs A= 237 FTEs	47%	2,000 FTEs	36%
	Net additional employment (women) FTEs	270 FTEs	T= 150 FTEs A=104 FTEs	70%	600 FTEs	49%
	Net additional employment (minority) FTEs	75 FTEs	T= 50 FTEs A=8 FTEs	16%	150 FTEs	53%

In the first semester of 2019, PPSE interventions have generated some **237 full-time equivalent jobs**. The interventions in the FNI sector contribute to around 93% of this result compared to 7% of the tourism sector. This trend continuous from Phase 1, which is mainly influenced by higher job creation opportunities in agriculture and jobless nature growth of the tourism sector. However, higher numbers in the tourism sector are expected to be generated towards the final two years of implementation. All results for impact indicators are well in line with the semi-annual projected results.

In the first semester of 2019, the FNI sector has a total of 5 interventions ongoing ⁵in **strengthening of the contract farming** system (4 partners), **product development** (4 partners and one service provider/co-facilitator), **introducing specialized seedling** (2 partners) producers, facilitating **certification programs** (1 partnering BMO) and **supporting linkages for trade** (1 partnering service provider/co-facilitator). Within contract farming, PPSE focused on supporting new contractors in expanding their farmer network and production, where most of the results have been generated. To further support contracted production, the team continued to support specialized nurseries for vegetable seedlings. Positive results have been recorded through activities in promoting export and trade linkages. Altogether, PPSE estimates that FNI interventions have generated some **220 new full-time equivalent jobs**. Further validation and disaggregation will be done through impact assessments (in time when the cycle/season is completed) and reported with the end-year report.

The tourism sector has a total of 5 interventions ongoing focused mainly on interventions around development of **tourism products** (1 intervention), promotion of Kosovo for the **Turkish** market and **international promotion** (2 interventions), **sector coordination** activities and organization of **non-formal short-term trainings** (2 interventions) for tourism guides. The team facilitated activities related to the identification potential private sector businesses and opportunities for developing tourism products. The focus has been in Prizren and Prishtinë/Priština regions, where expertise was supported also for

³ Based on the achievements of Phase I.

⁴ The column represents the results measured within the reporting report.

⁵ See annex X: list of intervention in FNI and Tourism sector.

identification of potential public tourism. Regarding international promotion for **German-speaking, regional and Turkish** markets, the team supported the international promotion efforts through the introduction of Kosovo's offer to the Turkish and Swiss agencies, as well as familiarization trips and fair exhibitions.

Kosovo tourism trends continue to record growth in number of tourists. Specifically, the Kosovo Agency of Statistics⁶ shows that in 2018 the number of international tourists has doubled, from 167,234 in 2017 to 192,761 in 2018 (15% growth). Whereas, the average length of stay in 2018 has slightly increased, but still remains below 2 nights per tourist. Overall, overnights of international tourists **in 2018** reached to **321,308 in total**. For this reporting period, PPSE interventions have generated direct attributable results of around **17 additional full-time** equivalent jobs. Additional indirect and induced jobs from tourism interventions will be estimated by the end of the year and provided in the annual report.

The work of PPSE has led to the reported results despite an uncertain political and economic context. The 100% custom tax on Serbian and Bosnian products continued to be enforced during the reporting period. PPSE has not been able to assess the effect of the tax, as our partners have not reported any significant implication on their daily business. However, in few cases, it has been observed that the tax had both positive and negative impact on the performance of SMEs. Few companies have benefited from a decreased competition, due to lack of competition from Serbia, while others have faced difficulties in supply of raw material and machinery, which has resulted in import price increase. As reported by KSA (2019) consumer price inflation was around 3.2% in the first semester of 2019 as compared to the same period in 2018, like the import price inflation (3.5% in the first quarter of 2019). Whereas, producers price inflation was somewhat lower, or around 1.8% in the first quarter of 2019 as compared to the same period in 2018. IMF (2019) projects an inflation of around 2.2% in 2019, an economically acceptable inflation rate.

According to the Kosovo Statistics Agency, the overall employment and unemployment indicators remain almost the same in the first quarter of 2019, with a slight declining tendency of employment and increase of unemployment. Whereas, in the second quarter, employment rate has increased by 1.8 percentage points and unemployment rate has decreased by 4.1 percentage points as compared to the same period in 2018. In terms of economic growth, KSA (2019) reports that in the first quarter of 2019 GDP is estimated to have a real growth of 4%. Hotels and restaurants as well as processing industry indicate a growth of about 1.4%, while agriculture added value to GDP is like in the same period in 2018. GDP estimates are positive also for the rest of the year. IMF (2019) projects a real economic growth rate of about 4.2% in 2019.

A growing concern raised by the private sector is related to the migration and availability of labour force. Some reports claim that only in 2018, the number of Kosovars who left Kosovo was 34,500⁷. This trend has been continuing, if not increasing, in the recent years. The trend of labour migration has direct impact in the workforce availability for the private sector. This is confirmed by PPSE partners, particularly related to agriculture, where the number of workers available is getting scarce by the day. Furthermore, PPSE partners report that an increasing number of farmers are leaving the country for opportunities in the EU. As a main implication, it is expected that future agriculture development in Kosovo is inclined to shift from a labour intensive to a more capital-intensive sector, with a tendency to have fewer small farms and more large and industrial farms.

⁶ Kosovo Agency of Statistics http://askdata.rks-gov.net/PXWeb/pxweb/sq/askdata/askdata_Tourism%20and%20hotels/?rxid=c8d59138-4e73-429d-86fd-6675b3c8a96f

⁷ <https://www.koha.net/arberi/179463/100-mije-qytetare-lane-kosoven-e-shqiperine-vitin-e-kaluar/>

3.2 Outcome 1: Competitiveness of Selected Sectors

Outcome 1: Young people women and minorities benefit from gainful and inclusive employment, created in the dynamic SMEs in the growing sectors	Outcome Indicator	Baseline 2017	2019 (T=Target, A=Achieved)	Incremental % reached in 2018	End of Phase 2021	Cumulative % Reached in Phase
	OC 1.1 Number of women and men gainfully employed	0	T= 1,250 A= 886	71%	5,000	52%
	Number of women and men gainfully employed (women)	0	T= 375 A=385	103%	1,500	71%
	Number of women and men gainfully employed (minority)	0	T= 125 A=20	16%	500	30%
	OC 1.2 Income increase of 5,000 benefitting men and women through salary/wage	0	T= CHF 2,400,000 A=CHF 729,893	30%	CHF 9,600,000	25%

The FNI sector interventions, predominantly at farming level, are estimated to have generated **employment opportunities for 859 people**, with an estimated gender structure of around **44% female and 56% male**, and with an estimated benefit of **€617,000 income increase** through wage/salary. Due to higher support at the processing level, particularly with regards to product development and export promotion, at least 10% of full-time jobs have been generated at this level.

Smaller processing companies are increasing investments on the development and upgrade of final products, adding value to their products as well as focusing on the segments where they have more strength and can be more competitive in the domestic market. Companies are increasingly interested in training their staff, especially food technologists who are key to product development, quality and consistency of production. Few small processors and collection centres, the MAPs sector, to date exporting through larger distributors, are gradually maturing to become individual exporters, even for more final sophisticated products, e.g. essential oils. Larger food processing companies are looking for new export possibilities and have very positively reacted to the PPSE match-making facilitation with Swiss buyers. They are also using export intelligence obtained through the facilitation process to remake their export strategies based on export buyers demand. PPSE is following these changes and adapting the strategy based on the changes and needs of the market.

The estimated impact of tourism sector interventions for the first semester has generated employment for at least **27 additional people (19 males and 8 females)**. The overall earnings of the newly attributable employed people amount to **€52,000**. In the regions where PPSE has been working, the response of tourism private sector for product development has been rather slow, especially compared to the interest of Prizren and Prishtinë/Priština Municipalities and the private sector in Pejë/Peć region. Furthermore, the team has observed an interest from other municipalities (Gjilan/Gnjilane, Dečan/Dečane, Podujevë/o and Gjakovë/Djakovica) as copying-in and crowding-in activities initiated by PPSE in Pejë/Peć, Prishtinë/Priština and Prizren municipalities. Details of interventions and activities that will lead to results are presented in detail under respective outputs.

In the reporting period, PPSE has observed an increased engagement of municipal public sector officials on the development of tourism areas. In the municipalities of Prizren and Pejë/Peć, some bigger touristic attractions are in the planning/development process. In Prishtinë/Priština, despite slower progress by the public and private sector, there are indications for upcoming public investments in new attractions around Germia park. It has been observed also that transport companies are more proactive in responding to the growing number of tourists and to the needs of tour operators. Increasing number of hotels, visibility and registration in the international online booking platforms is also another indication for a growth of incoming international tourists in Kosovo.

Output 1.1 SMEs have improved the quality and diversification of products and services.

Output 1.1: SMEs have improved the quality and diversification of products and services.	Output Indicator	Baseline 2017	2019 (T=Target, A=Achieved)	Incremental % reached in 2018	End of Phase 2021	Cumulative % Reached in Phase
	OP 1.1. Number of new and improved products and services promoted through the SMEs	0	T= 38 A=17	44%	150	35%
	OP 1.1.2 Additional investment value for new products and services	0	T= CHF 1,250,000 A=CHF 412,507	33%	CHF 5,000,000	28%
	OP 1.1.3 Number of SMEs offering new and improved products and services	0	T= 25 A=12	48%	100	28%

PPSE continued to support SMEs in the **FNI sector** in order to improve the quality and diversify final processed products through its intervention and the OF. This support was facilitated through different types of mechanisms and instruments used within the “**Product Development**” intervention. Different types of mechanisms used include the following: Coaching for Growth and Food Technology Expertise – facilitated by CEED Kosovo; Upgrading Processing Lines, individual consultancy support to SMEs through SEC missions. In general, 14 SMEs has benefited from the aforementioned activities.

Ten PPSE supported SMEs have introduced around 9 final processed products⁸ and 3 new crops⁹ during this semester (2 overlapping with 2018). These have been enabled through various support services mentioned above as well as investments undertaken by SMEs of around € 322,000.

- Through the intervention “**Product Development**”, PPSE has partnered with CEED Kosovo as a service provider and co-facilitator to improve the business strategy and development of new products and services. Among most important activities of this partnership include supporting SMEs with food technology training, in-house coaching for developing new products/services and study visits to benchmark companies in regional countries. An important supported activity was a training for food technology, where 7 dairy sector companies through 8 food technologists participated in an advance intensive specialized program in Plovdiv. As a replication of this model, PPSE plans to facilitate the second group of food technologists (fruits and vegetable subsector) for the specialized program in November 2019 at the University of Plovdiv Food Technology. The team has interviewed partners and beneficiaries from 2019 and 2018 (from the Coaching 4 Growth platform and other interventions). Six SMEs have introduced 9 new final products and generated around €250,000 of additional sales from these products. This indicates that support towards innovation and new products improves the performance of SMEs. PPSE has also supported 4 small scale SMEs (Natyra, Albini, Kastrioti – woman owned, TP N&N Komerc – Serb owned) to advance their processing and/or packaging machinery, with a final purpose of improving current products and introducing new ones. Two of these companies were also supported with business support services (i.e. branding & package design services) so the process of product development is more structured and well planned. PPSE is committed to continue to support SMEs of the sector that are willing to introduce new products with tailored marketing services, to be competitive with professional branding and package design for new products. It is important to mention that most of the results are expected in the second part of the year. Finally, the FNI sector has supported 3 SMEs with short term specialized in-company coaching by SEC consultants, product development, recipes and new product marketing.

As of the reporting period, the intervention for **Development of Tourism Products** was focused in Prishtinë/Priština and Prizren municipalities targeting **adventure and cultural segments of tourists**. This has been done in cooperation with both public and private sector, leading until now to introduction of five new tourism products: **Paragliding, Kayaking and Biking in Prizren; Escape Room in Prishtinë/Priština; and Camping in Pejë/Peć**. Considering the slow response of private sector, the team decided to take a two-way approach, partnering with private businesses for co-investing in products and partnering with Municipalities and private actors around products and cultural attractions with the investment value - which require land permits and large amount of investments. PPSE continues to work for development of additional eight new outdoor products with private sector partners and three museums with Municipalities of Prishtinë/Priština and Prizren.

The **five** new tourism products were launched by **four SMEs**, with the main aim to attract an increasing number of tourists. These product owners have recorded total investment of over **€56,000**. These products have already registered direct turnover of over €16,500 for the first semester of 2019, whereas the overall number of benefiting SMEs (direct and indirect) is estimated around 15.

- In the **Development of Tourism Products** intervention with private and public actors, PPSE has partnered with Aerklubi ‘Shkaba’, Supercampers, Wander, and RAZ for development of the five new launched products (mentioned above). In this semester, PPSE also partnered with Alpine Club Sharri and Marimangat to develop two new via-ferratas (in Prizren and Pejë/Peć

⁸ Final products include: frozen and packaged sour cherries, chocolate pralines, cremes from camomile and calendula, tomato sauce, ready-made food products.

⁹ New contracted crops include: thyme, cherry tomatoes and organic leeks.

). Further partnerships are under negotiation with the Bear Sanctuary (Nature Trail and Entertainment Park in Badovc), Proton (Zip-line in Prizren), Eco Alpina (Recreational and Entertainment by the river in Pejë/Peć) and BNA (Bungy Rocket in Pejë/Peć) for developing outdoor tourism products and activities. To trigger further private sector investment in tourism products, the team conducted a rapid assessment with 33 businesses around Prizren region, mainly Zhupa and Prevalle area. Based on the potential and interest, the team further supported five businesses with individual technical assessment by GEODE company, which proposed to each business specific tourism products that fit the business needs, market segments and investment capacities. In cooperation with respective Municipalities, the same company (GEODE) was also engaged for identification of tourism products at Germia National Park and Livoq lake (Gjilan/Gnjilane) as well as improving the access to the Prizren Fortress through the construction of a cable car. The construction of the cable car is expected to start next year, for which the Municipality will allocate budget based on the feasibility study. The team has also launched an open call in attempt to attract businesses to invest in tourism products for Prishtinë/Priština region.

PPSE is also facilitating activities with the Municipalities of Prishtinë/Priština and Prizren, for establishing two new museums in Prizren, namely the Filigree and Mother Theresa museums, and implementation of the initiated projects in 2018: Schoolhouse of Hertica Family Museum and Art Shelter in Prishtinë/Priština. In addition, two new initiatives from the private sector in Prishtinë/Priština have come up for establishing the Museum of Simon Shiroka and the Museum of Oral History. The Municipality is in the process of finding and providing the premises/land for both museums, as well as financial support.

Output 1.2 SMEs have increased production.

Output 1.2: SMEs have increased production	Output Indicator	Baseline 2017	2019 (T=Target, A=Achieved)	Incremental % reached in 2018	End of Phase 2021	Cumulative % Reached in Phase
	OP 1.2.1 Number of farms and SMEs involved in contract farming	350 SME	T= 250 SME A= 106 SME	42%	1,000 SME	44%
	OP 1.2.2 Increase of contracted production	200 ha	T= 125 ha A= 117 ha	94%	500 ha	104%

PPSE has facilitated two main interventions aiming to increase the quality and volume in primary production for the selected sub-sectors. **‘Strengthening Contract Farming System’** continues to be one of the main interventions of PPSE. It has started as an intervention at the beginning of Phase 1, with few farmers (around 20) and partners (2) introducing the contract farming system in the vegetable sector, by introducing qualitative industrial tomato seeds. This has been adapted and expanded continuously by partners and farmers, integrating quality inputs and value-added services into contract farming system. Farmers’ main motivation for their engagement in such a model is provision of access to a secured market for their products. Contracting enables farmers to plan their annual production better and have their income secured, processors can secure consistent supply and required quality of raw material, while for collection centres, who serve as ideal intermediary actor that bridges the coordination gap between the two parties, it provides increased opportunities for profits. These factors contributed to satisfactory results and, by the end of Phase 1, number of PPSE beneficiary farmers integrated in the contract farming has scaled up to around 410, cultivating around 325 hectares, expanding across all regions in Kosovo and including other subsectors, such as MAPs.

In Phase 2, the contract farming is further expanding, where existing contractors (collection centers and processors) are increasing their capacities new ones are emerging, increasing the number of contracted farmers and offering more services to them, such as specialized seedlings, advisory services, access to machinery (harvesters, planting machines, etc.), contributing to increase in product quality and yield. Integration of specialized seedlings in contract farming is related to another PPSE intervention '**Introduction of Specialized Seedling Producers**', where PPSE is currently supporting two nurseries with technology investments in facilities and know-how aiming to improve the quality of vegetable seedlings in the market. In addition, contractors (processors and collection centres) are mainly supported with equipment and machinery so that they can expand the number of contracted farmers and area.

As a result, in the last two years, through PPSE interventions 235 new farmers have been introduced to the contract farming system, with around 544 additional hectares cultivated under contracted production. Overall, the number of PPSE beneficiary farmers in contract farming, since Phase 1, is estimated at around 645 with a total area of around 869 hectares. Results of contract farming intervention are provided in the table below.

PPSE Contract Farming Results	Phase I Total	2018 (Additional)	2019 (Additional)	PPSE Total
Partners	10	7	3	20
Farmers	410	137	98	645
Hectares	325	401	143	869

- Within '**Strengthening Contract Farming System**' intervention, PPSE team has collaborated with 4 contractors (ADE group, Agrocelina, Nektar and Agropeti). In three cases, support consisted of co-investments in machinery (dryer, calibrator, etc.) and equipment (harvesters) with the main aim to further increase processing and aggregation capacities, increase efficiency and ensure the quality of the demanded products. These companies have been selected mainly based on their potential to expand their activity and farmers base. In one case, PPSE is supporting integration of vegetable seedlings produced in a nursery to the contract farming system. In addition to the four partners of this intervention, the team closely monitors, in terms of contract farmers and production area, partners from other interventions that relate to contract farming (e.g. product development cases) as well as existing partners from 2018. It is important to mention, that the team has made efforts in avoiding investment overlap with other donor agencies when partnering with SMEs. Support around contract farming, particularly in the MAPs sector, continues to be very productive and with high growth potential. This has led to a higher interest and involvement of donors for this sector, for which the team has responded with intensification of coordination and exchange of information with other donor agencies.
- With the '**Introduction of Specialized Seedling Producers**' intervention the aim is to improve the access and quality of seedlings for vegetable and MAPs farmers. This intervention is very closely linked with contract farming intervention and is expected to impact directly the quality and yield of primary production. During 2018, PPSE has supported through the Opportunity Fund the establishment of one **new modern nursery (Agrobora)** and the upgrading of an existing nursery (**Fidanishtja e Godancit**) for vegetable seedlings production. The newly established nursery 'Agrobora' was finalized and launched in June 2019 and its operation has started

immediately. The second part of investments at ‘Fidanishtja e Godancit’ for improvement of the existing nursery is expected to be finalized by the end of 2019. Only with the investments done last year (seeding line and new production technologies), ‘Fidanishtja e Godancit’ has increased internal efficiency and productivity (producing five to ten times more seedlings and reducing the failure rate by average 15%), as well as improving the quality of seedlings (with higher yield potential and more resistant from diseases). Changes and benefits from a modern nursery and its seedlings to farmers level, are expected to be seen at a later stage, starting from the second season of 2019. In addition, PPSE is also committed to support these partner-nurseries with know-how through field experts both during investment and production processes. The team plans to intensify and expand integration of partnering nurseries within the contract farming interventions once these nurseries are finalized and fully operational. We are expecting that the specialised seedling production will be copied by other producers and this will lead to the desired systemic change in the market which aims at changing the way the farmers produce seedlings in Kosovo.

3.3. Outcome 2: SMEs improve their offer, efficiency and competitiveness in improved and better organized inclusive market systems

Outcome 2: SMEs improve their offer, efficiency and competitiveness in improved and better organized inclusive market systems	Outcome Indicator	Baseline 2017	2019 (T=Target, A=Achieved)	Incremental % reached in 2018	End of Phase 2021	Cumulative % Reached in Phase
	OC 2.1 Number of SMEs benefit from using new or improved support services	0	T= 38 SMEs A= 25 SMEs	66%	150 SMEs	27%
	OC 2.2 Net additional income increase of 150 SMEs	0	T= CHF 950,000 A=CHF 156,651	16%	CHF 3,800,000	19%
	OC 2.3 Institutions are more responsive to private sector growth	0		<i>Qualitative assessment based on FGD of key institution personnel¹⁰</i>		

Private sector SMEs in the FNI sector have recently increased their interest and investment in shifting their operations towards more mechanisation. This emerges from two factors: one related to their growth level and efforts to improve competitiveness and efficiency, and the other – more urgent - related to the rapidly decreasing number of workforce availability. Smaller SMEs are also gradually increasing their demand for support services, for ones that add value to their final products and improve their access to both domestic and international markets, such as certification of quality standards and branding and design of their products. Larger enterprises mainly demand export market linkages.

¹⁰ A short summary of the focus group discussion is presented in the following part, while a report is attached in Annex IX..

In 2019, additional **25** partnering and/or beneficiary **SMEs are already benefiting from new support services** that have been facilitated by PPSE since 2018. Benefiting SMEs have been mainly using PPSE-supported services around certification programs, product development services and trade facilitation. Across all FNI interventions, PPSE beneficiary SMEs have reported net additional income of around **CHF 108,000** as a direct result of the PPSE intervention.

In the Tourism sector, in the first half of 2019, PPSE has supported three new support services in the market. These services are related to non-formal trainings, demanded by private sector - specifically for city guides and mountain guides. Furthermore, a training for mountain bike tours has been supported for sector SMEs. Increasing demand for guides for different market segments is a very good sign of tourism inflow growth, and also shows a proactive response of the sector market players.

Intensive ongoing support is dedicated to promoting Kosovo in specific markets, such as the Turkish market, where a total of 57 SMEs have benefited from all PPSE interventions in 2019, with a reported increase in net additional income of around **CH 48,651**

PPSE continues to support Municipalities in Kosovo for developing tourism products and attractions with a private sector inclusion approach. As a result of support to Municipalities of Prizren and Prishtinë/Priština, the two Municipalities have increased commitment in terms of budgeting and planning for tourism development (promotion, products, information etc.), whereas interest has been observed from other Municipalities such as Gjilan/Gnjilane, Deçan/Dečan, Gjakovë/Djakovica and Podujevë/o, for replicating initiatives of Pejë/Peć, Prizren and Prishtina Municipalities towards development of tourism products, activities and drafting tourism strategies.

According to a recent focus group discussion with tourism actors in Prizren, the perception of actors remains largely unsatisfactory towards the municipal and central government work, despite noticing some recent improvements. Tourism actors have noticed improvements with regards to infrastructure, development of tourism strategy and including during the process, Municipality actions around infrastructure in the centre, administrative process, issuing of licenses and permits and transparency. Among the main negative issues identified by tourism actors are the municipal tax, lack of parking spaces for tourists, loud noise, lack of events, activities and information, lack of investment in tourism infrastructure, management of cultural sites, licenses of tour guides. It can be concluded that there have been many positive initiatives from the Municipality of Prizren, where the first signs can already be seen, however more time is required so that the private sector sees the benefit.

Output 2.1: Service Providers offer improved business support services.

Output 2.1: SPs offer improved business support services	Output Indicator	Baseline 2017	2019 (T=Target, A=Achieved)	Incremental % reached in 2018	End of Phase 2021	Cumulative % Reached in Phase
	OP 2.1.1 Number of SMEs using new and improved services offered by service providers	0	T= 75 SMEs A= 22 SMEs	29%	300	30%

Under this output, the FNI team has continued for the third year to support one intervention for ‘**Facilitation of Certification Programs**’. Within this intervention, SMEs are having access to **Organic and BioSuisse certification program**, through sector association Organika. In addition, PPSE is closely monitoring beneficiaries that are using new support services facilitated through PPSE interventions that fall under other outputs, such as trade facilitation (sales/buyers’ missions – OP 2.2), product development

services (OP 1.1) and specialized nurseries (OP 1.2). New interventions are being designed to support SMEs with value added services, such as introducing affordable marketing and design services. By the end of the year, we expect a higher number of SMEs using value added services.

In 2019, **16 new SMEs and 22 farms** are using support services that have been facilitated by PPSE. It is worth mentioning that the sector association Organika has been receiving increasing number of SME applicants for organic certification as well as membership. This can be a sustainability indication for the intervention.

- Under the intervention ‘**Facilitation of Certification Programs**’, **31 SMEs out of which 6 for the first time (2 female, 2 minority owned SME, 1 Social Enterprise)** are in the process of organic and BioSuisse certification. The expected cultivation area with organic MAPs to be certified in 2019 is more than 600 hectares. Services for Organic and BioSuisse certification are offered through Organika (Association of NWFP and MAPs sector SMEs) by the inspection and certification body Albinspekt from Albania. As a result of PPSE facilitation for trade linkages, two sector SMEs have been required to obtain BioSuisse certification for entering into the Swiss Market. Supported by PPSE, these SMEs successfully obtained this certification and managed to penetrate and conclude contracts for entering the Swiss market. In addition, PPSE has supported Organika in consolidating its capacities to offer certification implementation services, which is to prepare applicants to comply with the requirements of the organic certification standard, where **13** SMEs are receiving this service. Certification programs contribute to increase in sales and incomes, as well as access to new export markets. Nevertheless, PPSE is only attributing the number of SMEs using and benefiting from certification services, whereas an attribution strategy will be developed and impact monitoring for net additional income will be reported only in the end-year report.

Ongoing activities, initiated in 2018, aiming to improve information services (advisory services) with SHTIB (Association of Agriculture Input Dealers) have been completed in 2019. SHTIB organized a training for 25 agronomists from two regions (Prizren and Pejë/Peć), who received a three-days training on good agriculture practices in vegetable sector, cultivation, protection and safe use of pesticides. At the end of the training, 18 trained agronomists received sets of equipment¹¹ which is needed for their field activities and support to farmers on daily basis. PPSE will monitor and report in more details for this activity in the annual report.

The team has explored the possibility to further continue supporting the Global G.A.P. certification. This has been done in discussions with association ‘Mjedra e Kosoves’, IADK and KFC. Regarding forest fruits certification of Global G.A.P., ‘Mjedra e Kosoves’ did not express interest to offer this service, therefore interested farms had to buy the service individually. While an intervention on certification of vegetable farmers/producers who can supply KFC with certified vegetables was also considered, where IADK was identified as potential co-facilitator. This activity will be followed for potential involvement during the second semester or 2019.

To address the growing demand of private sector for specialized professions, **two non-formal training programs** (city and mountain guides) were supported by PPSE. PPSE partnered with two tour operators to meet their growing demand for guides. One agreement was with Breath in Travel to train **French-speaking guides** and another with Balkan Natural Adventure to train **mountain guides** in Western Kosovo. The latter is ongoing. Another supported training was

¹¹ Soil sampling probes, pH meter, EC meter, hygrometer, lens – magnifying glass, thermometer.

implemented with Ride Albania for tourism SMEs for developing mountain bike tours. Altogether, 6 additional SMEs have used the new services.

As a result of our trainings, an association of Kosovo Guides has been established separately, without our assistance or involvement, promoting Kosovo through social media, have successfully established links with other private sector actors and have engaged with the policy makers to advocate on tourism issues.

Output 2.2: SMEs have improved access to sales channels

Output 2.2: SMEs have improved access to sales channels	Output Indicator	Baseline 2017	2019 (T=Target, A=Achieved)	Incremental % reached in 2018	End of Phase 2021	Cumulative % Reached in Phase
	OP 2.2.1 Number of SMEs using new and improved sales channel		T=75 SMEs A= 14 SMEs	19%	300	18%

Under Output 2.2, the project **continued to facilitate access to new sales channels for SMEs** mainly in international markets. The focus in 2019 has been mainly in trade linkages for the Swiss market. In 2019, PPSE has facilitated trade linkages with additional SMEs and of sub-sectors beyond MAPS (beverage and processed fruits and vegetables). The team has continued to monitor the impact of supported activities in 2018, where exhibition in Biofach fair was particularly successful, generating contracts and exports of over €1 million in 2018 and over €1.6 million in 2019. Furthermore, due to the success of this activity, KIESA has decided to include this fair in their regular portfolio.

PPSE expects significant impact of 2019 activities on export. Four SMEs will implement signed contracts for export in Swiss market. The already signed (expected) value of exports is around €0.5 million annually.

1. Through the intervention '**Support trade linkages**' the project continues to work with Triple E, with the aim of establishing **long-term export partnerships in various sub-sectors**, particularly targeting high end products, such as organic and premium products. During 2019, activities under this intervention included follow-up visits of selected Swiss potential buyers to Kosovo SMEs with business cooperation potential and identifying new domestic SMEs who are ready to export. As a direct result of activities under this intervention, so far Biopartner

has signed a contract with Eurofruti and Erboristi-Lendi has agreed to cooperate with Peppermint international. In both cases, SMEs have obtained BioSuisse certification (also supported by PPSE) as a precondition for export. There are further negotiations between Swiss importers and two SMEs, from the fruits and vegetables processors in Kosovo, which are expected to be concluded during 2019.

To promote Kosovo producers and products in the domestic market, the PPSE has facilitated activities such as: TV Show 'Toka Jonë', 'Prishtinë/Priština Gastronomy Festival', and 'Albanian Food Expedition'. The last two activities are planned for July. 'Prishtinë/Priština Gastronomy Festival' is organized by Chester Production, with the purpose of promoting local products and ingredients through a two-days event. A foundation of Albanian renowned chefs (RRNO foundation) has initiated a three-year research on Albanian authentic food ingredients and recipes, with a purpose of promoting and 're-inventing' Albanian gastronomy. PPSE decided to support RRNO foundation for the Kosovo part of the expedition and two daily trainings for selected group of chefs. Further details will be elaborated in the annual report.

Under this output, the tourism sector supported promotion activities around market segments. **Two fairs**, EMMIT Istanbul and Tirana International fairs; **one fam trip** with TURSAB (Association of Turkish Travel Agencies); one celebrity-endorsement familiarization trip with Turkish tour operator Tatilbudur and one promotional activity with an international blogger. Several supported activities relate to promoting Kosovo in the Turkish market, where the team observes high potential, considering that Turkish tourists represents the highest tourists share in countries surrounding Kosovo. Furthermore, the team is working in promoting Kosovo in German speaking markets.

In the tourism sector, 12 SMEs have directly used new and improved sales channels. As a direct result of PPSE support, three new sales channels – mountain bike tours for Swiss market, cultural tours for French speaking market, Kosovo tour for Turkish market, have been introduced for selling Kosovo abroad. Promotion in international tourism fairs and digital promotion continues to be yield most of PPSE tourism results, where over 40 benefiting SMEs have reported an attributable increase of 655 international tourists and increased turnover of €113,500 as a direct result of interventions.

- Within the **International Promotion Intervention**, PPSE facilitated the participation of 12 Kosovo tour operators, product owners and hotels to present their tourism offer in Tirana International Fair. As a direct result, businesses that have participated in this fair have already reported new incoming tourists. PPSE has engaged a cofacilitator TripleE company, to explore the **German speaking markets** (Switzerland, Austria and Germany), with the aim of establishing business links between Kosovo and international tour operators from the source markets, to promote Kosovo offer and increase the number of tourists from these markets. An info tour was organized for the Swiss co-facilitator and initial contacts were established with 2 Swiss tour operators, who intend to visit Kosovo in September 2019. The team has also supported Ride Albania (a Swiss tour operator that operates in the region) for developing and promoting mountain bike tours in Kosovo to Swiss tourists, which has already yielded in new tourists visiting Kosovo. Further support was provided to TRECUM media outlet, where PPSE supported Breath in Travel tour operator to promote its Kosovo offer in French speaking countries. This has already resulted in new tourists visiting Kosovo from this channel, and the company did receive reservations for September 2019 and signed contract with the international tour operator.
- With regards to the **Turkish Market**, PPSE supported several activities, with the aim of increasing the number of Turkish tourists visiting Kosovo. The following activities were implemented with the support of a co-facilitator:

- Participation of seven Kosovo companies in EMMIT Istanbul fair in January 2019, which resulted in new business linkages and in new tourists visiting Kosovo.
- Partnership Agreement with Tatilbudur, which resulted in promotion of Kosovo offer in 7 airports in Turkey, 16 shopping malls and two biggest supermarkets in Turkey. As per the agreement, the partner also organized a celebrity and press tour in Kosovo, with celebrity Suzan Kardes who was responsible to promote Kosovo touristic destination in her social media channels. As a result of this trip, Kosovo was featured in one of the biggest newspapers in Turkey, Hurriyet (its Sunday travel section), and Tatilbudur has produced a promotional video for Kosovo offer.
- TURSAB familiarization trip where 5 tour operators from Turkey visited Kosovo and walked the Peaks of the Balkans hike, with the aim of promoting outdoor tourism in Kosovo. First indicators of the impact of this activity include:
 - Opening of Kosovo tour by GEOS Tur in September 2019.
 - Visit of Kosovo outdoor TOs in TURSAB to present their offer by the end of September.
 - Info tour of Jolly tour operator, to explore the possibility to extend the length of stay in Prishtinë/Priština from transit to at least one night.

Output 2.3: Stakeholders have improved sector organization and networking

Output 2.3: Stakeholders have improved sector organization and networking	Outcome Indicator	Baseline 2017	2019 (T=Target, A=Achieved)	Incremental % reached in 2018	End of Phase 2021	Cumulative % Reached in Phase
	OP 2.3 Number of joint initiatives for improving networking and sector organization around selected topics: waste management, market segments, promotion, coordination and sharing of knowledge	0	T=3 A= 1	33%	10	40%

In 2019, the PPSE has conducted an assessment aiming to **support sector organization in topics regarding subsidy schemes and impact in agriculture and food processing**. This topic has emerged through consultations with sector associations and is regarded as highly important considering the difference and effectiveness of subsidy model applied in Kosovo vs. regional countries. Furthermore, PPSE has supported sector coordination issues through interventions and activities under other outputs.

- PPSE supported a research assessment on **“Agricultural Support Scheme in Kosovo”**. Current subsidy models in Kosovo are regarded as sub-optimal by many market actors. Part of the research, a workshop was organized with sector associations and public officials, to validate findings from secondary and primary research. A final report was prepared and shared with all

relevant stakeholders, where recommendations for specific changes to improve subsidy and grant schemes, monitoring and strategic process have been elaborated.

Supported coordination activities from other outputs have been implemented with sector associations Organika and SHTIB. PPSE has supported Organika to strengthen provision of certification services towards its members through capacity building (related to organic certification) of its staff. Furthermore, the implementation of the certification intervention with this association has shown signs of success towards sustainability and growth of the association. PPSE has supported SHTIB to conduct a baseline assessment regarding agriculture inputs sector in Kosovo and to organize two round tables with stakeholders (Input Dealers, MAFRD, FVA) on topics such as product registration, control, import, etc. Furthermore, SHTIB organized an exchange visit to Albania for the 12 board members with knowledge exchange and learning purposes.

In the tourism sector, PPSE facilitated **sector coordination** activities under this output with the aim to contribute to the improvement of coordination between public and private sector and cooperation among private sector actors in Prishtinë/Priština and Prizren municipalities. As a result of PPSE support, the Prizren Municipality has approved the Tourism Strategy of Prizren in July 2019.

Through the MoU with the **Municipality of Prishtinë/Priština**, the Municipality has initiated the process in adopting a sustainable model for the functioning of tourism info point. Initial steps have been undertaken by the municipality to open the Tourism Officer job vacancy; expansion of tourism info points around the city and digitalisation of the info point by creating the brand of Prishtinë/Priština and development of the website. As preliminary activities, the **Municipality of Prizren** has replicated the model of Prishtinë/Priština Municipality for drafting and approving (at the Municipal Assembly) of the Statute of Prizren Museum and the Regulation on Own Source Revenues for Cultural Attractions, as two basic documents that provide a model for the existing and new established museums under the municipality of Prizren for better operation and reutilisation. In addition, the Tourism Strategy of Prizren, which has been drafted with the support of PPSE, was approved by the Municipal Assembly.

Regarding the **reduce/ban of usage of plastic bags**, PPSE has shared preliminary findings of the assessment with the MESP. The findings present three major modalities for moving forward: tax on plastic bags, replacement of non-biodegradable bags, ban of plastic bags. As a follow up, MESP organized a round table with different public and private actors to discuss the best modalities for introducing a suitable model on the ban of plastic bags. A decision for a policy change to address usage of plastic bags is expected in the near future.

3.4.1. Opportunity Fund

In 2019, the Opportunity Fund (OF) continued to be used as an additional instrument for the sectors. As all the co-investment agreements for 2018 were in the FNI sector, in the first half of 2019 the priority has been given to OF interventions for the Tourism sector, with a focus on tourism product development. The team has put great efforts into promoting development of tourism products through approaching businesses and the Municipalities of Pristina and Prizren. A Call for Proposal for developing tourism products in Prishtinë/Priština and its surrounding has been launched in the beginning of 2019. Out of a total of six applications, four of them have been invited to present their concept ideas. However, only one of the applicants has been considered with more potential to develop a sustainable business model.

Up to this reporting period, 4 applicants had the opportunity to develop the Concept Note and one co-investment agreement was signed as per the planned budget for 2019. The table below shows the

details for the 2019 OF co-investment agreement. Since OF interventions are integrated with sectors, all results related to OF are reported under sectors and respective project outputs.

#	Business	Place	Project title	PPSE investment	Company investment	Total investment
1	VIER PFOTEN Kosova	Prishtine	Nature Trail area and an Entertainment Park	€ 35,000	€35,000	€70,000

Total investment	€35,000	€ 35,000	€ 70,000
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Percentage	50%	50%	100%
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The aim of this co-investment agreement is to establish a Nature Trail area (*with a maximum length of 400 meters and width of 4 meters*) and an Entertainment Park at the Bear Sanctuary in Prishtinë/Priština, for multi season public recreation opportunities. The agreement is signed with VIER PFOTEN Kosova located in the municipality of Prishtinë/Priština. This will enhance the current tourism offer by developing new products (first of its kind in the country) offering amusement and recreation products and activities, which will contribute to an increased number of visitors/tourists, which in turn will create new jobs and additional income. In addition, the project will contribute to the awareness raising and education towards environmental protection, thus making it socially and economically viable.

There are four other full applications in the pipeline: Zipline (2 parallel slides) by Proton Cable in Prizren; Recreational and entertainment products in Shtupeq by Camping LLC; and upgrading processing machinery for introducing new products (rolls and bars produced from dried fruits) by Kodra e Diellit in Gjilan/Gnjilane.

Finally, the team has closely followed-up on the co-investments agreements signed in 2018 :

- **Produktet Natyrale të Kosovës (PNK)** has successfully finalized implementation of the project by mid-December of the last year.
- **AGROBORA company** has successfully completed the project with extensive support of hired consultant. The implementation of the project has been slower than expected due to limited knowledge for constructing and furnishing a modern specialized nursery. The inauguration ceremony was organized on June 21, 2019.
- Third partner **Peppermint International company** has almost completed project activities. First results from this investment are expected by the end of the season.

3.4.2. Social Inclusion Fund

The total SIF budget for 2019 is €68,000, while during the reporting period the committed and spent budget is €43,500. In the first half of the year, three agreements with minority partners were signed, out of which two are businesses and one is an NGO.

The first agreement is with PTU Lazareks - a bio-pellet production company, signed in December 2018 and was executed during the reporting period. Within this partnership, the partner has invested in a new facility, while PPSE financed the purchase of a new dryer for bio-pellet. This partnership is expected to generate 3 additional FTEs and boost the income of more than 50 beneficiaries. The second agreement is with the NGO partner (NRAEWOK), it includes identification and training of Roma, Egyptian and Ashkali woman owned businesses in five regions, out of which three businesses will be selected for further support through small SIF grants (up to €3,000). The third agreement is with TP N&N Komerc, a business which produces honey cookies "Pasha". This partnership aims to increase production and market share by investing in new production line for three new products that will be introduced in the Kosovo market. This will generate 6 additional jobs (out of which 5 women) in the facility

and will triple the current production volume. PPSE will further support the company with marketing services.

#	Partner	Place	Project title	PPSE investment	Company investment	Total investment
1	PTU Lazareks	Novo Brdo/Novo-berde	Enabling production process of bio-pellet	€ 14,500	€41,000	€ 55,500
2	TP N&N Komerc	Dobrotin	Introducing new production line and new products	€13,000	€ 13,500	€26,500
3	NGO NRAE-WOK	Prishtinë/Priština	Mapping Roma, Ashkali and Egyptian Women Businesses	€ 7,000	/	€ 7,000
3.1.	NGO NRAE-WOK - SIF 3 small grants	Kosovo	Selected Roma, Ashkali and Egyptian women businesses	€ 9,000	/	€ 9,000
Total investment				€43,500	€ 54,500	€ 98,000
Percentage				44%	56%	100%

4. Transversal Themes

4.1. Social Inclusion

FNI

Within the FNI sector and under Contract Farming Intervention, PPSE has partnered with Nektar, a Turkish minority-owned business within the strengthening contract farming system intervention. Nektar is a processing company, focused in gherkins pickles, with contracted farmers are from the Turkish community. The team is exploring cooperation opportunities with another potential partner, producer of juices, from Štrpce/Shtërpçë in expanding production and introducing new production line and products.

The team has cooperated with Peppermint International and Scardus d.o.o. for promoting new market linkages for exporting to Swiss market (trade linkages intervention). Both companies showed great potential in concluding export deals with Swiss partners, therefore PPSE supported the companies also with BioSuisse certification – which was a precondition by Swiss counterparts. Peppermint International has already signed an agreement with the well-known Swiss company (Erboristi-Lendi) on export of essential oil and wild oregano products.

The project is currently designing an intervention to mainstream farmers from the Roma, Ashkali and Egyptian community, in production of MAPs and linking with processing companies and collection centres. A list of interested farmers, in possession of sufficient land and experience in agriculture production, has already been drafted. Activities to link these farmers with MAPs collection centres and to start implementation of contract farming are planned for August 2019.

Tourism

In the reporting period, the team is exploring possibilities for inclusion mainly around product development intervention. A partnership in Gračanica/Graçanica is being prepared for the development of a medieval themed park.

4.2. Gender

Women Inclusion in FNI Interventions

In FNI sector, besides the attributable employment of women, which is estimated at around 40%, the following activities are targeted for mainstreaming:

- Partnerships with 2 women owned SMEs (NP Kastrioti and ADE Group) related to product development and contract farming interventions.
- Within organic certification program intervention, from 31 SMEs that are part of the program, 2 are women-owned (99 Lule and BioFruti).

Besides the constant efforts of the team to ensure gender mainstreaming in interventions and activities, women specific targeted interventions are further being explored for this year. Within product development intervention through CEED for food technology, a training for traditional sweet producers is being planned for potential implementation.

Women Inclusion in Tourism Interventions

As of the reporting period, in the tourism sector, women engagement has been ensured through the intervention in specialised tourism occupations. Twelve French-speaking city guides are trained, of whom 6 are women. Mountain guides training and biking trainings for Prishtinë/Priština Pejë/Peć and Prizren are in the developing process, aiming at least 50% women participants. Additionally, a short-term training tailored for women waitresses is in the designing process. Furthermore, the tourism team has implemented the following activities:

- Through the Opportunity Fund, among potential businesses to be financed by the project for touristic product development, one is woman owned, namely Eko Alpina, planning development of recreational and entertainment products by the river in Shtupeq.

Moreover, through **SIF intervention** implemented by the Network of Roma, Ashkali and Egyptian Women's Organization of Kosovo (NRAEWOK), four info sessions were organized in four targeted regions (Pejë/Peć, Gjakovë/Djakovica, Prizren and Prishtinë/Priština) where 57 Roma, Ashkali and Egyptian women participated. Info sessions were followed by the eight-days business skills training where 43 women were awarded with the certificates. The final selection for the three SIF small grants (up to € 3,000) will follow based on the presented case studies and the viability of business model.

5. Consultancies

A total of 20 days of planned short-term consultancy days were executed in the reporting period (international consultancy days).

National/international service providers were also engaged under Part IV outputs. Since their engagement is mainly output-based and not per consultancy days, these activities are explained under each output and intervention area.

The international consultants were engaged to advise the selected municipalities on tourism products, to provide expertise in specialized seedling production, and to support Kosovo companies in creating business linkages with the Swiss market.

The national consultants were engaged for the following activities: support to international promotion of tourism sector, and assessment of agriculture support schemes in Kosovo.

A total list of consultancies with information related to the engagement objectives can be found in Annex III.

6. Finances

6.1. Budget

The total planned budget for the Year 2 of Phase II amounts to **CHF 1,938,430**. In the first 6 months of the reporting period, 45%, the amount of **CHF 864,124** has been spent.

Details of the budget implementation per budget lines in the implementation phase are provided under Annex VI. The following section explains cases with under- and overspending of more than 10% per budget line.

Part 1- Services Headquarters

The total budget for this part is **CHF 28,980**. **CHF 7,849** has been spent to date, meaning 28%. More intensive support is planned during the second semester.

1.1 Fees Headquarters Staff of Contractor

Out of the total planned budget of **CHF 27,920**, **CHF 6,760** were spent in the reporting period, representing 24%. The rest of the planned budget, including the budget for advisor on Tourism and Food will be spent in the second half of the year.

1.2 Reimbursable Costs HQ Staff

from the budget of **CHF 1,060**, **CHF 1,089** has been spent, resulting in 103% execution of this budget sub-line

Part 2 – Local Office of Contractor

The total budget for this part is **CHF 84,490**. In the reporting period 41% of the budget, or **CHF 34,419** was spent.

2.1 Fees Local Office Staff of Contractor

From a budget of **CHF 76,800**, **CHF 34,080** was spent, or 44% of total budget.

2.2 Reimbursable costs

From a total budget of **CHF 7,690**, **CHF 339** was spent, or 4%. As the Regional Director is based in Tirana, travel expenses are reduced.

Part 3a – Long-Term Experts

3.1 Fees for Professionals (Expat and National)

The total budget for this line of part 3 is **CHF 677,250**, while spending was **CHF 338,625**, meaning 50% of the planned budget.

Part 3b - Short-Term Experts (Consultants)

The total budget for this part was **CHF 42,750**, while spending was **CHF 21,636** meaning 51% of the planned budget.

3.4 Fees International and National Short-Term Experts

The total budget was **CHF 40,000**, while **CHF 20,000** was spent, or 50%. Other remaining consultancy days are planned for the second semester.

3.5 Reimbursable Costs

The total budget was **CHF 2,750**, while spending was **CHF 1,636** or 59%.

Part 3c – Local Support

The budget for local support is **CHF 168,275**, of which **CHF 78,924** was spent, resulting in 47% of the planned budget.

3.6 Remuneration of National Support Staff

The national support staff was budgeted for **CHF 76,200**, while spending was at **CHF 38,607** or 51% of the planned budget.

3.7 Reimbursable Costs

The amount of **CHF 15,375 was budgeted**, while spending was only **CHF 316** which means 2% of this budget line. The rest of the planned expenditures will be spent in the second half of the year, with staff training costs.

3.8 Total Purchase of Equipment for PIU

The planned budget was **CHF 5,200** while the **CHF 2,371** were spent in the reporting period, which means 46%

3.9 Total Operating Cost PIU

Total planned budget is **CHF 71,500**, while **CHF 37,630 or 53%** was spent. This budget line includes expenses of office utilities, phones, office rent, vehicle running cost, local auditing.

Part 4 – Administrated Project Funds

The total Part 4 planned budget is **CHF 936,685**, of which **CHF 382,671** was spent, representing 41% of the planned budget. The rest of the planned spending will be spent in the second half of the year, such as, the spending of the budget for the Opportunity Fund and spending for the planned and ongoing interventions that were committed in the first half of the year.

Outcome 1: More, dynamic SMEs have grown in the selected sectors

The total planned budget of Outcome 1 is **CHF 275,000**. 56% of the budget or **CHF 153,910** was spent in the reporting period.

Output 1.1: SMEs have improved the quality and diversification of products and services
The budgeted amount was **CHF 165,000**, while **CHF 84,224** or 51% of this budget line was spent. The rest of planned and ongoing interventions will be completed and paid in the second semester.

Output 1.2: SMEs have increased production
The budgeted amount was **CHF 110,000**, while **CHF 69,687**, or 63% of this budget line was spent.

Outcome 2: SMEs benefit from improved and better organized inclusive.

The total planned budget of Outcome 2 is **CHF 240,000**. 41% of the budget, **CHF 97,807**, was spent in the reporting period.

Output 2.1: SPs offer improved business support service
the budgeted amount was **CHF 100,000**, while **CHF 13,942**, or 14% of this budget line was spent. The rest of payments will be completed in the second semester.

Output 2.2: SMEs have improved access to sales channels
The budgeted amount was **CHF 110,000**, while **CHF 68,495**, or 62% of this budget line was spent. The other part of the budget is expected to be implemented in the second semester.

Output 2.3: Stakeholders have improved sector organization and networking
The budgeted amount was **CHF 30,000**, while **CHF 15,371**, or 51% of this budget line was spent.

Cross-Cutting Topics

For the cross-cutting topics **CHF 69,052** was spent, amounting to 62% of the total planned budget of **CHF 111,685**.

Capacity Building

For capacity building **CHF 12,625** have been planned, while **CHF 6,587** was spent, amounting to 52% of the total budget.

International exchange on innovation for partners

The amount of **CHF 15,000** was planned for international exchange on innovation for partners,. As there were no activities involved in the reporting period, nothing has been spent. Activities under this budget line are planned for the second semester.

Communication

For Communication and promotion **CHF 9,557** has been spent, or 64% of the total budget of **CHF 15,000**. There were intensive communication activities in the reporting period.

MRM, including DCED peer review audit, sub sector/destination assessments/baselines and impact ass.
For the MRM related activities, **CHF 51,463** is spent, amounting to 77% of the total planned budget of **CHF 67,060**.

Strategic Review, Steering Committee and Team Building

For the strategic review, **CHF 1,445** has been spent, or 72% of the total planned budget of **CHF 2,000**.

Opportunity Fund

For the Opportunity Fund, a budget of **CHF 250,000** was planned. **CHF 42,127** of the budget has been implemented in the reporting period, or 17% of the total budget. As per current commitments, the rest of the budget is to be executed in the second semester.

Social Inclusion Fund

For Social Inclusion Fund **CHF 19,776** has been spent, or 33% of the total planned budget of **CHF 60,000**. The rest of the budget will be executed in the second semester.

7. Project Organization, Management and Steering

Project Organization, Management and Steering

7.1. Capacity Building and Exchanges

All capacity building and exchanges were implemented as planned.

In the first semester, internal coaching of staff was done continuously by the management and MRM Specialist. Backstopping support on MRM is being provided also by the Swisscontact Regional MRM Advisor Tanjima Ali. Capacity building and professional development trainings for staff are planned for the second semester, based on the specific needs of the team members.

The Swisscontact regional backstopping expert, Martin Dietschi, has supported PPSE on overall strategic and administration planning. In the first semester Riinvest Institute supported the team in activities involving organization of stakeholders, advocacy and research backstopping support around the Agricultural Subsidy Scheme assessment.

In May 2019, regular exchange workshop took place with the regional Swisscontact projects, between the project managers, MRM team and the sector teams, where possible synergy is being promoted. Regular monthly exchange meetings were held also with the EYE project team of Helvetas. Coordination meetings took place between management, apart from the mutual participation in each other's Steering Committees and exchanges between the teams of MRM, OF, Social Inclusion and Communications. Other activities with joint interest are being explored continuously.

The PPSE Management participated in the SDC ENE domain projects meeting in February, where the respective projects exchanged on the ongoing and future activities.

7.2. Project Organization and Management

The project is functioning at the same premises. Security measures have been undertaken to comply with the SC Kosovo Local Security Plan, that was formulated to comply with SC worldwide standards.

In terms of staff, there was one change during the reporting period. Dren Zatriqi, tourism facilitator, resigned in February, due to his career advancement and opportunities for professional development in the private sector. His position was replaced by Donika Gashi, who has private sector background and has managed to very quickly catch up with the tourism interventions, MSD methodology and has become a very important member of the team. The International MRM Regional Advisor, Tanjima Ali, is providing support from the regional office in Tirana.

On 13- 14 June PPSE held a two-day internal workshop to review the first-year activities and the progress to date. Conclusions from the workshop and reflections on potential changes for the forthcoming period have been shared with SDC.

PPSE team, supported by the SC regional office and HO staff, is intensively working on the preparations for the DCED audit of the project, scheduled for early 2020.

7.2.1. Project Steering

The main body for project steering is the Steering Committee, alternately headed by the SDC and the Ministry of Trade and Industry (MTI). In the last SC meeting, held in March, the new composition of the SC included relevant public and private sector stakeholders, namely the Kosovo Employment Agency, the Kosovo Chamber of Commerce, the Kosovo Women Chamber of Commerce, the Country Manager of the Swiss Company Roche, the CEO of the Swiss Experience Company, the CEO of Rugove Company and a Social Inclusion expert. The CEO of the Swiss Company Roche declared his resignation from the Steering Committee due to the change of the employer. In a close coordination with SDC, a replacing member will be selected and invited for the next steering committee.

The PPSE Steering Committee met in March 2019 to review the project's Yearly Plan of Operations 2019 and the Annual Report. Both reports were approved.

The advisory body, the Strategic Review Panel (SRP) with the Riinvest Institute and SC, have reviewed and supported PPSE with the Annual Report and the YPO. Other regular exchanges between the two consortium partners have taken place as well.

There was a continuous coordination and strategic guidance by the Swisscontact regional director and Riinvest director. Swisscontact Deputy CEO, Florian Meister, visited PPSE in May. An exchange meeting with the SDC director took place during the respective visit.

PPSE was in close contact with SDC throughout the year and there was a close coordination and meetings related to the planning and implementation of the activities in the second year of PPSE Phase II.

7.2.2. Monitoring and Results Measurement

After the decision to plan for a full DCED audit, the team's MRM efforts have mainly been around preparation. This task requires updating all MRM documents since the beginning of Phase II. The team has decided to audit nine interventions from the two sectors (five for FNI and four for tourism). Extensive documentation for every intervention includes concept notes, results chains, monitoring plans, interventions plans and impact assessments.

To measure and validate the results for the 2019 year, PPSE is planning to start impact assessments in October and November for all interventions, to comply with the end of season/cycle in both tourism and FNI sectors. During this time PPSE will monitor activities and interventions that also started in 2018, to monitor the sustainability and eventual growth of the interventions.

Similar to 2018, PPSE is conducting the tourism supply side which is sampled to include all tourism related enterprises throughout Kosovo. The survey enables us to understand the income and employment impact of tourism sector throughout Kosovo and monitor annual changes. Findings of the survey are also utilized to determine the employment proxy (used in the Phase I), based on tourism spending, for estimating attributable impact on employment. Another planned study for 2019 was an evaluation of the impact of seedlings produced in professional nurseries. However, after consultations with field experts, the team decided to rely on existing literature findings in order to determine and claim the impact of seedlings produced in professional nurseries vs seedlings produced by farmers with traditional technologies, for vegetables and MAPs production.

7.3 Communications

“Communications for development”, i.e. to communicate for information and impact has been the keyword for the reporting period. The core message of all communications emphasized the Swiss Government contribution to the private sector development and job creation in Kosovo. Transformational storytelling to present results achieved through the stories of “characters with agency” as the main tool sought to give the message of change through human experiences, providing context while keeping the communications straight to the point and digestible.

TV Shows: PPSE partnered with two local production companies to produce one TV Show on local producers from the agriculture and food sector, and one on tourism products developed in Kosovo. “Toka Jonë” weekly show is broadcast via Klan Kosova. The goal is to showcase the varied agriculture, seedling and MAP production and processing activities, food processing, market linkages, export of local products and expertise from the private sector. Overall, the cases presented demonstrate the model of change and potential for growth and the support of Swiss Government. As of the reporting date, a total of 15 episodes have been broadcast. The five episodes of “TAG Kosova” focusing on tourism products, what to do and see in Kosovo, and the domestic tourism potential was broadcast via KTV. Both shows target mainly the local audience. PPSE and the Ministry of Trade and Industry also partnered with Ashley Colburn Productions, USA to sponsor the Kosovo episode of the 13-episode show “Through Her Eyes”, promoting Kosovo as a tourism destination. The production team was in Kosovo in April to do the filming, and the show is expected to begin broadcasting in September this year.

Events: PPSE organized the opening of Agrobora seedling producer, which received a very good media coverage, especially through dedicated TV programs. The event was officiated by the SDC representatives. PPSE provided advice and support to partners with their events, especially visibility and media relations. The Albanian Gastronomy Exhibition supported by SDC was featured prominently in the local TV stations and promoted online via the RRNO foundation and PPSE channels.

Social Media and Online: In the reporting period, PPSE opened an Instagram account to use as an additional channel for reaching out to a different audience. The project website and the PPSE page on the Swisscontact worldwide website were updated on regular basis.

PPSE Facebook continues to be the primary channel of online project communication. The total organic reach (number of unique users, fans or non-fans, who saw the page posts) in the reporting period was 208,386. Our page posts were shared by the official Facebook pages of the Embassy of Switzerland; Swisscontact Worldwide; SDC Implementing Partners group, as well as partner or individual pages.

PPSE posts on regular basis on the project Twitter account, the medium.com account, and LinkedIn accounts of team members and Swisscontact worldwide to further disseminate project news.

Publications and Videos: PPSE has published the following: two brochures promoting local tour guides trained through PPSE, and the first semi-annual newsletter. PPSE produced two videos, one for each sector: [FNI](#) and [tourism](#).

Media Reporting: In the reporting period, PPSE and our beneficiary activities have featured prominently in local and international media outlets: online news agencies; radio, TV. See Annex V for a list of media mentions and appearances of PPSE, Swisscontact and SDC.

Compliance and Visibility: All PPSE communications materials follow the SDC branding and communication guidelines. Everything is published in English, Albanian and Serbian.

8. Lessons Learnt

- In the tourism sector, larger investments in tourism products are expected to be undertaken by Municipalities. This has already been indicated with Municipalities showing more interest, commitment and allocating more budget for development of tourism products. PPSE has supported Municipalities of Prizren, Prishtinë/Priština, Pejë/Peć and Gjilan/Gnjilane with international technical expertise in developing specific tourism products, where at least two larger tourism products are expected by the end of year. At the same time, the team has supported private sector tourism products initiative, mainly of lower investment levels. Nevertheless, the overall process of developing tourism products is rather slow and complex, where many players are involved and permits to be acquired, where authority bodies are not always clear. For example, the initiative of offering paragliding in Prizren was expected to be developed within one month, while it lasted for around one year. This afterwards affects the timing of impact and results as well.
- For the interventions international promotion and Turkish market promotion, PPSE has engaged international facilitators based on source markets. This has been rather positive, providing market information from targeted market segments and opportunities to reach out to strategic potential partners for promoting Kosovo.
- Field observations show that SMEs and farms in Kosovo have started to face difficulties in attracting workers at current wage levels. This is primarily due to high Kosovo labor migration in the recent year. To respond to this phenomenon, SMEs and farms are moving more towards mechanization. This trend might also have implications for PPSE employment targets that are primarily generated in the FNI sector – a high labor-intensive sector.
- In the FNI sector, PPSE's strategy has gradually shaped towards supporting larger companies more with services such as export facilitation and food technology, whereas smaller companies more with technology upgrade to become more competitive.